DOWNTOWN MARKET ANALYSIS

San Marcos, Texas

PREPARED AS PART OF THE DOWNTOWN MASTER PLAN FOR:

The City of San Marcos

PREPARED BY:

T·I·P STRATEGIES

THE CITY OF SAN MARCOS

JANUARY 2008

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Executive Summary

Rapid growth in the Austin and San Antonio metropolitan areas will likely spillover to San Marcos. This growth should significantly increase demand for office, residential, and retail space in San Marcos. This potential growth and additional demand provides the city of San Marcos with the opportunity to re-position its downtown, re-defining its role in both the city and the region as a residential and retail destination and employment center.

POTENTIAL DEMAND SUMMARY

Downtown San Marcos, 2007 - 2012

	Regional Focus Low	Regional Focus High
OFFICE MARKET		
Additional Office Workers	637 -	956
Additional Office Demand (Sq. Ft)	135,378 -	203,066
RESIDENTIAL (MULTIFAMILY) MARKET		
Total New MF Units	402 -	603
Estimate Sq. Ft (@ 700 per Unit)	281,591 -	422,387
RETAIL MARKET		
Total Retail Demand (Sq. Ft)	39,437 -	52,638

Downtown San Marcos' property market values and lease rates, though rising, appear undervalued compared to peer markets and are still significantly discounted to Austin and San Antonio. In addition, ample infill opportunities exist in the downtown area, although the ownership structure of parcels in downtown makes land assembly more challenging. With these favorable market conditions coupled with the strong population and employment growth projected for San Marcos, the downtown market is likely to expand over the next five years.

Based on the vision of downtown San Marcos becoming a regional employment center and destination, TIP estimated the potential demand for office, residential, and retail space. The results are summarized below.

- Demand for office space will increase an estimated ***135,000 to 203,000*** gross square feet from 2007 to 2012.
- Demand for residential units will increase an estimated ***282,000 to 422,000*** gross square feet from 2007 to 2012.
- Demand for retail space will increase an estimated ***40,000 to 53,000*** gross square feet from 2007 to 2012.

These demand projections assume that San Marcos assumes a larger regional role. To do this, the city must actively promote opportunities in downtown through supportive policies and programs. As such, TIP recommended the following:

- **Financing improvements.** Create a financing district to provide a secure funding source. Secure available grant funding. Structure competitive incentives to promote investment in downtown. Promote transportation alternatives.
- **Setting an example.** Encourage mixed-use development through a predictable and accommodating development process. Play an active role in the redevelopment of the county-owned buildings to be vacated.

- **Strategic planning.** Conduct a retail recruitment analysis and devise a retail strategy. Create a city-wide economic development strategic plan.

- **Marketing for success.** Build a strong brand and well-developed products to promote downtown. Maintain an accurate database of available buildings and spaces. Direct external marketing efforts towards developers, investors and businesses. Reach out to tourists visiting the outlet malls.

The following report provides an overview of the downtown real estate market. This market overview is followed by discussions of the demand potential for the office, residential, and retail market in downtown. Next, TIP provides strategic recommendations for creating a vibrant downtown. Appendix A provides a summary of financing mechanisms for downtown improvements. Appendices B through D provide more detailed information on the methodology and estimates for demand potential in each of the three market areas.

Introduction

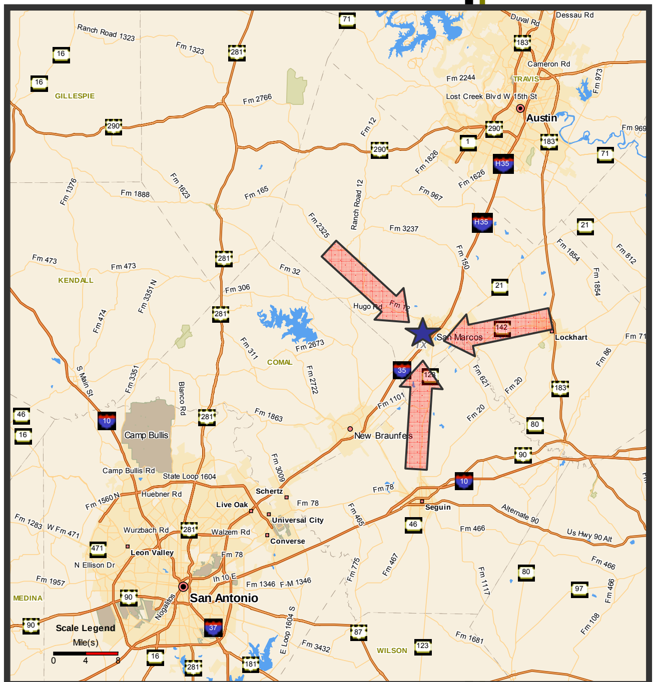


FIGURE 1

As shown in Figure 1, San Marcos has historically been a regional commercial center for surrounding cities, drawing people from Wimberley, Lockhart, and Seguin. For tourists along the I-35 corridor, the San Marcos outlet malls have become one of the state's major attractions, located between San Antonio and Austin. The city also serves as the gateway to the hill country, routing travelers on their way to Wimberley through downtown on Ranch Road 12. As the county seat, San Marcos has drawn people into downtown to conduct county business. Businesses that provide support for services related to the county have located downtown to have easy access to the county services and facilities they depend on. The downtown has also served as an entertainment district for the city and Texas State University with limited dining, shopping and entertainment options.

However, the popularity and size of the outlet malls coupled with the availability of large tracts of land has drawn commerce and development south of downtown San Marcos and created a center of gravity outside of downtown that competes with downtown.

With the Austin-San Antonio Corridor expected to continue to grow rapidly, San Marcos will undoubtedly encounter growth pressures from Austin and San Antonio (*See Figure 2*). Fortunately, San Marcos is strategically positioned in the middle of the corridor. While residential development is likely to increase organically in the San Marcos area, the city of San Marcos and its stakeholders will need to play a more active role in promoting commercial development to balance out residential spillover from Austin.

This residential and potential commercial growth provides San Marcos with the opportunity to re-position its downtown and re-define its role not only in the city but in the entire region. Downtown San Marcos' assets and strategic location in the center of the corridor and along the future commuter rail provide it with a competitive advantage over other Central Texas communities. Capitalizing on this opportunity can enable downtown to realize its potential and become an important center of gravity along the Austin-San Antonio Corridor.

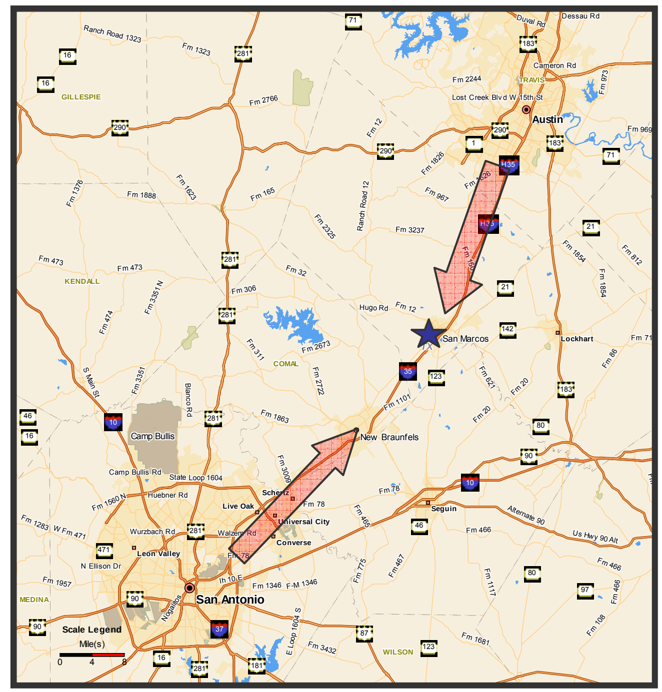


FIGURE 2

As mentioned previously, downtown San Marcos is currently the center of county-related business. It provides entertainment options for university students and limited dining and retail options. However, the downtown does not play as dominant a role in the city as it could. Rather than serving as a popular destination, the downtown serves as a pass-through on the way to Wimberley.

In contrast to its current role, downtown San Marcos could be the city's focal point for residents, students, and tourists alike with strong connections to the University and the park system along the San Marcos River. As the county vacates the justice center, annex, and records building, related professional services will likely relocate with the new county facilities. This will create an opportunity for reusing this space in a way that attracts more workers, residents, and tourists downtown. With the extension of Wonder World Drive to Ranch Road 12, downtown will no longer be a pass-through but a destination. It could become a regional employment center for companies doing business in the Austin and San Antonio markets. It could become a tourist destination and draw people from the outlet malls. It could also provide downtown living options for those students, retirees, and workers looking for authentic small-town living in the Corridor. By enhancing its current assets and creating new ones, downtown San Marcos can play a critical role in attracting new talent and businesses to the city.

In order for downtown San Marcos to realize this potential, the city and other stakeholders will need to actively promote the revitalization of downtown. TIP defines economic development to be ***the application of public resources to stimulate private investment.*** With this in mind, the role of the public sector gains a clarity that other definitions obscure. Public officials and local government employees do not create jobs or generate wealth. They do control significant resources. Directing these resources effectively and efficiently is their paramount duty. Effective programs should be judged by how well public resources can create a response from private investors. In this context, the City of San Marcos must be aware of how its policy decisions as well as its support of projects inside and outside of downtown will affect private investment in the downtown.

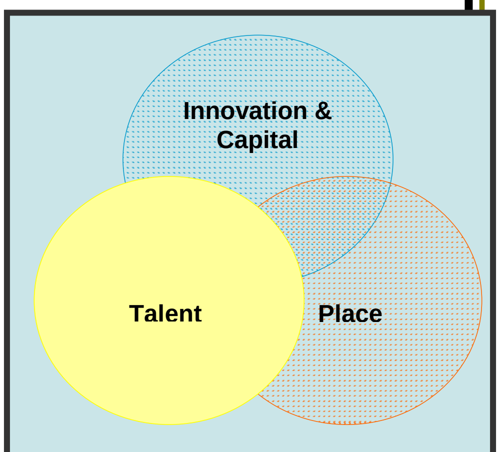


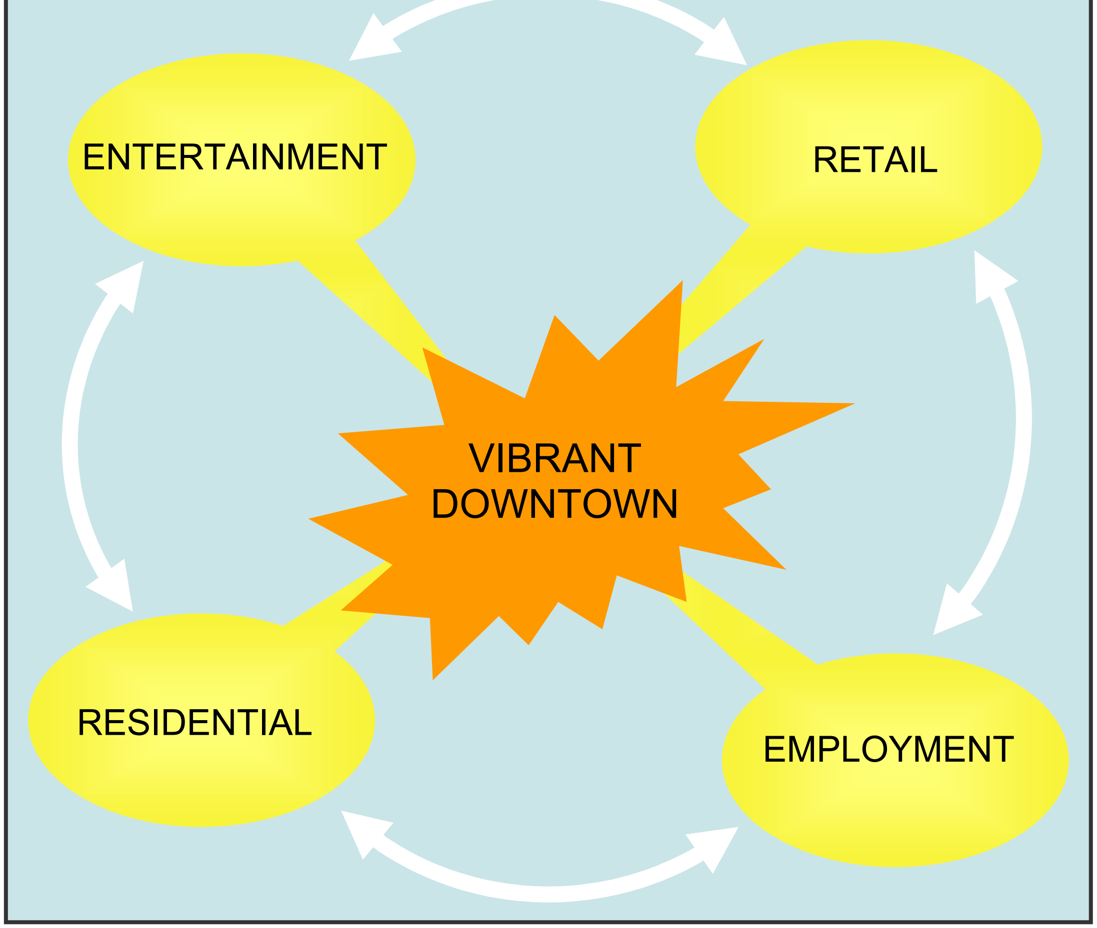
FIGURE 3

Figure 3 illustrates TIP's economic development model which focuses on the factors that play important roles in stimulating economic vitality in a community. In contrast to traditional economic development models that employ mostly industrial recruitment strategies, TIPs model acknowledges that employers are increasingly locating where talent is, and talent is moving to places they want to live. In other words, today's talent decides where they want to live first and finds work where they want to live. For this reason, employers are locating in communities that have the quality of place that will attract the talent they need. As a result, quality of place issues are central to a community's success in economic development.

A revitalized downtown San Marcos can significantly enhance the city's quality of place. It will aid in the attraction and retention of talent which will, in turn, aid in the attraction and retention of employers.

The key to the city's involvement in downtown's revitalization is understanding what makes a vibrant downtown. Figure 4 depicts the downtown development model. Attracting businesses and new residents to locate downtown will support more retail and entertainment options. Likewise, specialty retail and entertainment options will serve to attract more residents, visitors and businesses downtown. Stimulating private investment in all four areas – entertainment, residential, employment and retail – will help downtown achieve the critical mass it needs to perpetuate desirable growth and be self-sustaining.

FIGURE 4



Planning for Success

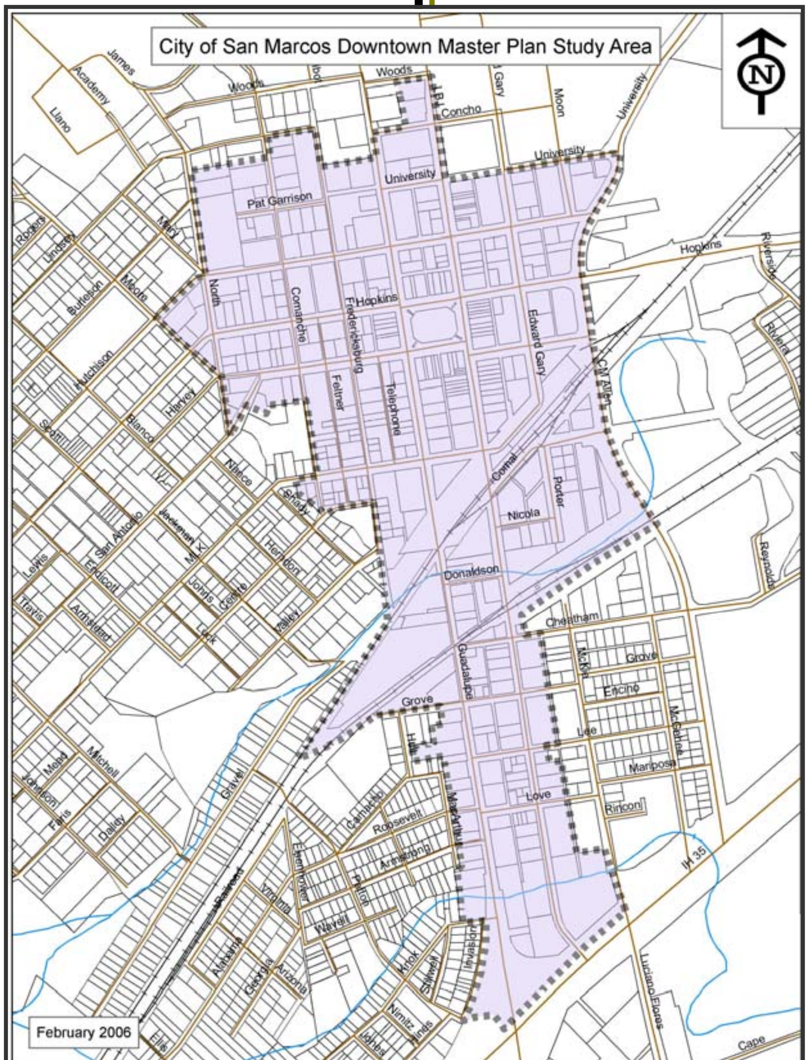


FIGURE 5

TIP Strategies, Inc. conducted the downtown market analysis for the City of San Marcos as part of the Downtown Master Plan. Figure 5 shows the downtown study area that was defined by the city of San Marcos. The study area includes 413 parcels that cover 400 acres. To understand the area's challenges and opportunities, we participated and performed the following activities:

- A review of existing economic and demographic data, including population growth, educational attainment levels, occupational information, employment growth, major employers, and other relevant statistics for San Marcos, Hayes County and the Austin-San Antonio Corridor.
- Tours of San Marcos and the surrounding region, which allow for a better understanding of the "downtown product" from a real estate standpoint.
- Interviews with area stakeholders, including face-to-face interviews with business and community leaders.
- Surveys of area brokers and realtors to understand the downtown real estate market and outlook.
- Meetings and workshops to establish priorities for appropriate development concepts.

From these activities, the planning team identified 5 main principles that guided the various elements of the Downtown Master Plan, including the market analysis.

1. **Promote an authentic identity and a distinctive destination.**
2. **Encourage a mix of uses that supports a viable downtown.**
3. **Enhance and preserve the unique charm of the built and natural environment.**
4. **Prescribe sustainable infrastructure practices that minimize and shade paved areas, resolve storm water problems, balance vehicle and pedestrian needs, and prioritizes parking strategy.**
5. **Organize the key town elements to create a network of inviting, walkable, and livable places.**

Downtown Market Overview

The downtown market has heated up over the past few years, but still offers an excellent value proposition for investors in the Austin-San Antonio Corridor. Downtown's prices, though rising, appear undervalued compared to peer markets and are still significantly discounted to Austin and San Antonio prices. In addition, ample infill opportunities exist in the downtown area, although the ownership structure of parcels in downtown makes land assembly more challenging. With strong population and employment growth projected for San Marcos, the downtown market is likely to expand.

From 2004 to 2006, the price per square foot for properties in downtown rose over 20 percent, rising from an average of $68 / sq ft in 2004 to $81 / sq ft in 2006. Dropping the two lowest priced transactions in 2006, which appear to be priced significantly under the market, from the annual average provides a more realistic snapshot of the 2006 market and increases the average to $92 / sq ft, representing a 30 percent increase over 2004 prices. By comparison, similar properties in downtown New Braunfels, for example, averaged $126 / sq ft. In downtown Austin and San Antonio, similar properties average over $200 / sq ft.

FIGURE 6. DOWNTOWN PROPERTY VALUES

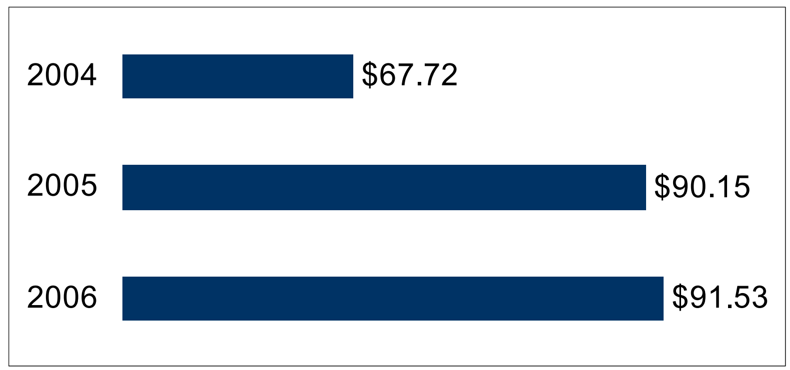
RECENT TRANSACTIONS (as of June 2007)

Downtown San Marcos

Address	Size (SF)	Sales Price	$/SF	Date
301 N LBJ Dr	4,344	$399,000	$91.85	8/2006
222 E Hutchison St	4,257	385,700	90.6	5/2006
145 E Hopkins St	14,008	1,480,290	105.7	5/2006
101 S Edward Gary St	13,088	776,720	59.3	3/2006
101 S Edward Gary St	9,000	470,000	52.2	3/2006
390 S LBJ Dr	2,440	170,240	69.8	3/2006
340 E Hutchison	3,600	359,100	99.8	1/2006
811 S Guadalupe	19,025	1,509,550	79.3	8/2005
110 N LBJ Dr	2,596	300,580	115.8	8/2005
400 Cheatham	3,008	199,500	66.3	7/2005
302 W Hopkins St	4,078	404,320	99.1	4/2005
307 W San Antonio St	2,400	159,600	66.5	11/2004
210 W Hutchison St	7,264	372,400	51.3	8/2004
220 North St	1,320	112,717	85.4	3/2004
		Average	**$80.93**	

SOURCE: *LoopNet. TIP Strategies, Inc.*

FIGURE 7. DOWNTOWN PROPERTY VALUES ($/SF)



SOURCE: *LoopNet. TIP Strategies, Inc.*

FIGURE 8. DOWNTOWN LEASE RATES

AVERAGE LEASE RATES

Downtown Areas

Area	Type	Rent/ Square Foot/ Year
Office:		
San Marcos		$9 - $16
Austin	Class B	$7 - $29
San Antonio	Class B	$12 - $22
Retail:		
San Marcos		$6 - $24
Austin		$12 - $28
San Antonio		$12 - $45

SOURCE: *NAI Global and TIP Strategies, Inc. Interviews and Research.*

Through interviews and surveys with local Real Estate brokers, we were able to obtain average lease rates for the downtown vicinity. Office triple net lease rates range from $9.00 / sq ft to $16.00 / sq ft while retail rates range from $6.00 / sq ft to $24.00 / sq ft. The average rate in downtown is at a significant discount to similar spaces in Austin and San Antonio. However, space in San Marcos that leases at the high-end of the range commands a competitive lease rate in comparison to the other two markets (Figure 8).

Due to the lack of historic data on the downtown real estate market, TIP was not able to estimate the absorption rates for office, residential, and retail properties. However, examining building permit activity can provide some insight into the market's absorption of commercial and residential properties. In 2005, 653,000 square feet (valued at $13.5 million) of multi-family residential was constructed (Figure 9). In 2006, 15,800 square feet of new commercial space (valued at $1.2 million) and 2,000 square feet of residential (valued at $94,000) came on-line (Figure 10). ***TIP expects future absorption rates of commercial space to be higher than what is indicated by historic construction activity.***

FIGURE 9. BUILDING PERMIT ACTIVITY

NEW CONSTRUCTION

Downtown San Marcos

Year	Commercial	Multi-Family	Single Family	Total
Valuation:				
2005		13,491,138		13,491,138
2006	600,000		49,000	649,000
Square Feet:				
2005		653,316		653,316
2006	1,800		840	2,640

SOURCE: *City of San Marcos, Planning and Development.*

FIGURE 10. BUILDING PERMIT ACTIVITY

ADDITIONS

Downtown San Marcos

Year	Commercial	Multi-Family	Single Family	Total
Valuation:				
2005	0	0	0	0
2006	620,000	0	45,125	665,125
Square Feet:				
2005	0	0	0	0
2006	14,041	0	1,235	15,276

SOURCE: *City of San Marcos, Planning and Development.*

The map of building footprints in the downtown study area (Figure 11) demonstrates that ample infill opportunities exist in the downtown area. Currently, surface parking lots, low density industrial uses, and even some undeveloped lots account for a significant portion of the downtown study area.

The map below shows ownership patterns in the downtown area (Figure 12). While most of the parcels are individually owned, according to the City of San Marcos Planning Department, most parcels are owned by separate owners making land assembly more challenging.

FIGURE 11

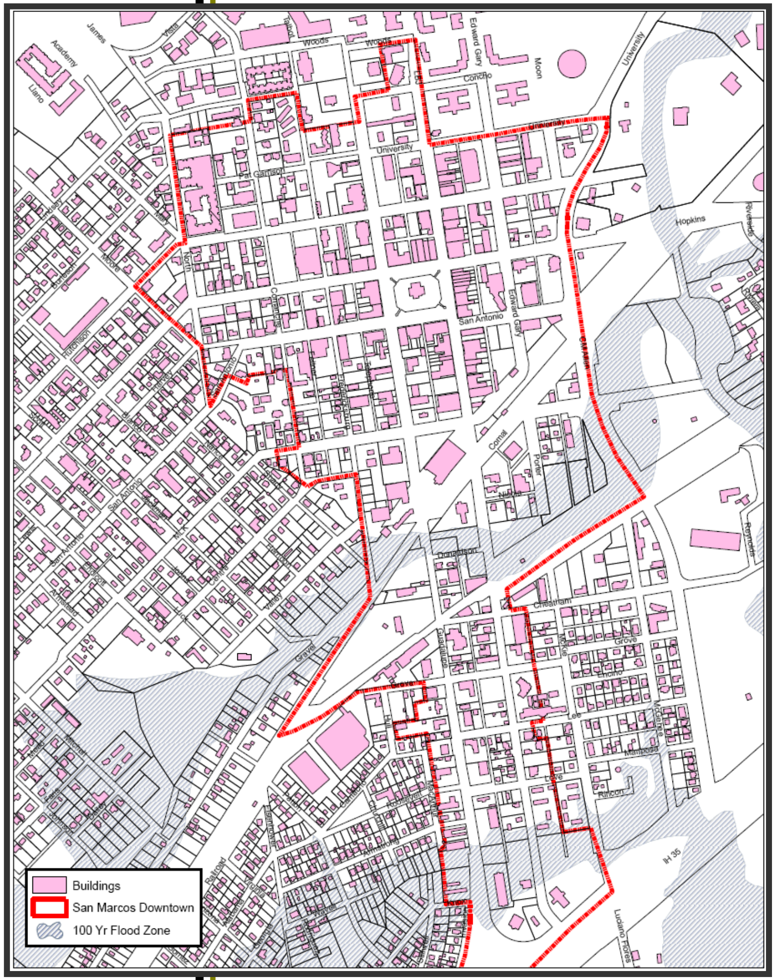
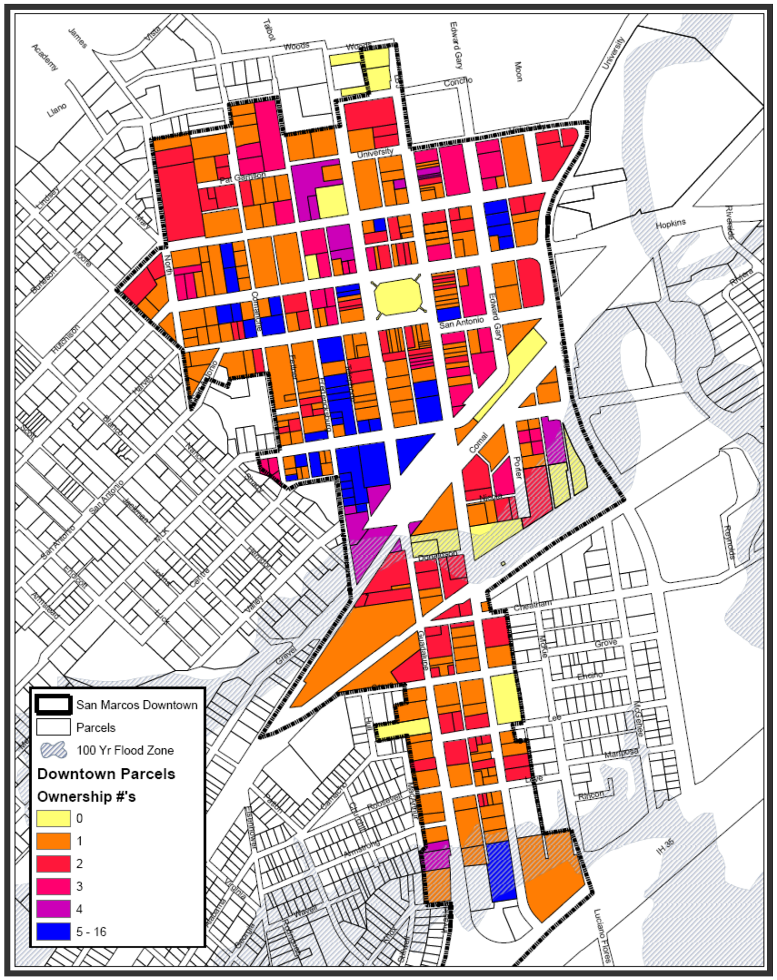


FIGURE 12



Office Market Potential

There is a critical shortage of office space in the downtown area. ***Local brokers view demand for office space high and supply inadequate.*** Case in point, a local technology company, Kulabyte, is relocating to Hunter Road from downtown because they were not able to locate 10,000 square feet in downtown in spite of their efforts to do so. Furthermore, there is currently no office space in San Marcos that would be considered class A relative to the Austin and San Antonio markets. This exacerbates the shortage because products downtown do not meet the needs of potential tenants. Downtown will need to improve existing space and construct high quality space to effectively compete with new commercial development south of town. Due to the unavailability of data pertaining to the current office market in San Marcos, TIP was not able to estimate the current shortage of office space in downtown.

FIGURE 13. OFFICE DEMAND POTENTIAL

ESTIMATED POTENTIAL DEMAND FOR OFFICE DEVELOPMENT

Downtown San Marcos

	2007-2012
Employment Growth (jobs):	
Change in Total Employment, A-SA Corridor	251,126
Change in Office Employment	63,707
Office Demand Growth (sq.ft):	
Square feet per new employee	250
Office Demand Growth, A-SA Corridor	15,926,778
Office Long-Term Occupancy Rate	85%
Net Office Demand, A-SA Corridor	13,537,761
Downtown San Marcos Potential:	
Capture Rate	
Scenario 1: Low	1.0%
Scenario 2: Medium	1.3%
Scenario 3: High	1.5%
Additional Office Workers	
Scenario 1: Low	637
Scenario 2: Medium	796
Scenario 3: High	956
Additional Office Demand	
Scenario 1: Low	135,378
Scenario 2: Medium	169,222
Scenario 3: High	203,066

Growth along the Austin-San Antonio Corridor will fuel demand for office space in downtown San Marcos. The Austin-San Antonio Corridor is defined as the combination of the Austin and San Antonio MSAs. The city should position itself as the prime location for businesses whose markets are in both Austin and San Antonio. The Austin-San Antonio Corridor is expected to add over 250,000 jobs in the next five years. If downtown San Marcos can capture just a small percentage of this growth, it will generate significant demand for office space.

If downtown San Marcos can capture 1.0 to 1.5 percent of the Corridor's office growth over the next five years (650 – 950 office workers), TIP estimates downtown will need an additional 135,000-203,000 square feet of new office space.

The renovation and redevelopment of existing space as well as new construction will enable the absorption of this additional demand. The relocation of the county annex will free up additional space that can be converted to office space. Because some county-related professional services may relocate with the county annex, prime retail and office space currently occupied by these businesses will also be open for re-use.

Residential Market Potential

Demand and supply for residential units downtown is currently in balance. ***Local brokers view the demand for residential units downtown as medium and supply as adequate.*** However, we believe demand for residential units will increase in the coming years. Additional students, workers, and retirees will boost demand for downtown housing products. The possibility of the commuter rail will further increase the demand for downtown urban housing/living.

- Texas State University has growth plans for the next 5 years of increasing enrollment from 27,500 to 30,000. With half of the student body commuting to San Marcos for classes and the supply of on-campus housing steady, this increase in enrollment will translate into approximately 1250 students needing housing.

- The additional office workers downtown will create more residential demand. TIP has forecasted that downtown could attract 650 to 950 new workers. Younger, single workers or young married (with no kids) workers are likely candidates to prefer downtown housing products.

- Downtown San Marcos has the attributes (higher education, grocery, shopping, walkability) that retirees are looking for. With Baby Boomers retiring, retiree attraction represents an additional opportunity.

The Austin-San Antonio Corridor is expected to add approximately 45,000 multifamily units over the next five years. If downtown San Marcos can capture just 1 to 1.5 percent of this growth, TIP estimates an additional 400-600 residential units (owner and rental combined) will be required. At an average of 700 square feet per unit, this would require 280,000 square feet to 420,000 square feet of residential space downtown.

Redevelopment projects such as the Sanctuary Lofts, the renovation and expansion of existing apartment complexes, and the inclusion of housing in mixed-use infill projects will accommodate the expansion of the downtown housing market. In addition, many of the upstairs areas of existing building can be converted to loft living, as has already been achieved with some of the recent remodels of historic buildings. The recent renovations of the Old First State Bank, A.B. Rogers, and Keeton-Griffin buildings have added 12 units around the historic square. Currently, there are 66 residential units on the second floors of downtown buildings.

FIGURE 14. RESIDENTIAL DEMAND POTENTIAL

HOUSING UNITS BY TYPE

Downtown San Marcos	**Change 2007-12**
Capture Rate	
Scenario 1: Low	1.0%
Scenario 2: Medium	1.3%
Scenario 3: High	1.5%
Owner-Occupied MF	
Scenario 1: Low	278
Scenario 2: Medium	348
Scenario 3: High	417
Renter-Occupied MF	
Scenario 1: Low	124
Scenario 2: Medium	155
Scenario 3: High	186
Total New MF Units	
Scenario 1: Low	402
Scenario 2: Medium	503
Scenario 3: High	603

Retail Market Potential

The retail market is nearly saturated in San Marcos. The outlet malls coupled with the rapid growth in the retail sectors in Kyle and Buda limit the potential for large-scale retail development in the downtown vicinity. However, there is much opportunity for specialty retail, including dining and entertainment, that will enhance downtown's sense of place. For this reason, ***local brokers rate the demand for retail in downtown high and supply inadequate.***

Downtown's best retail opportunities will be in entertainment, dining, and specialty retail, as those are currently the dominant retailers. Demand for this kind of specialty retail in downtown will grow with the rise in Texas State enrollment, office workers downtown, and residential growth downtown. Likewise, a strong retail sector downtown will increase demand in the other two markets. As downtown and its retail sector evolve as destinations, more San Marcos residents and more of the 7 million annual visitors to San Marcos will be drawn to the downtown vicinity, bringing more dollars to downtown retailers and entertainment options.

FIGURE 15. RETAIL DEMAND POTENTIAL

Downtown San Marcos

	Incremental Spending	Additional Sq. Ft	Capture Rate			Retail Demand (Sq. Ft) 2012		
			Low	Medium	High	Low	Medium	High
Apparel & Services	16,654,134	75,056	3%	4%	5%	2,252	3,002	3,753
Dining Out	3,934,798	12,999	20%	25%	30%	2,600	3,250	3,900
HH Furnishings & Equipment	3,660,607	19,940	3%	4%	5%	598	798	997
Retail Goods	15,513,900	75,652	3%	4%	5%	2,270	3,026	3,783
Non-Resident Retail Demand	**39,763,439**	**183,647**	**5%**	**7%**	**9%**	**7,719**	**10,076**	**12,432**
+ Local Retail Demand	21,132,424	111,230				31,718	35,962	40,206
Total Retail Demand	**60,895,863**	**294,877**				**39,437**	**46,038**	**52,638**

By capturing a percentage of new retail spending in San Marcos, the downtown will be able to support additional retail space. TIP conservatively estimates that the downtown can capture 5 to 9 percent of all retail spending in San Marcos, which would require an additional 39,000 – 53,000 square feet of retail space downtown to meet demand. Assuming average specialty retail space is 1,000 square feet and the average restaurant / bar is 3,000 square feet, this estimate would accommodate 13 to 52 new retailers & restaurants.

Like the residential and office markets, redevelopment and renovation of current space along with new construction of mixed-use properties will allow for the expansion of the retail market in downtown. Moreover, new office space will allow office tenants (including those county-related professional services) who currently occupy ground floor locations (prime retail space) to move into true office space, freeing up additional ground floor retail space. However, limiting the number of permits for liquor sales (12 liquor and an additional 15 for restaurants who can serve liquor) may inhibit the growth of dining and entertainment options in downtown.

Strategic Recommendations

The demand projections presented here assume that San Marcos begins to play a larger regional role in the Austin-San Antonio Corridor. To do this, the city must reposition San Marcos and downtown and actively promote opportunities through supportive policies and programs. Below we present recommendations for the city to achieve this task.

- **Financing improvements**
  - Create a financing district(s) for the downtown study area that will provide a dedicated funding source for infrastructure, streetscape improvements, and maintenance as well as other programs that will support private investment in downtown. *See Appendix A for more details.*
  - Secure grant funding from federal and state resources for façade renovations and improvements.
  - Structure incentives to promote downtown that compete effectively with surrounding Central Texas jurisdictions, including New Braunfels, Kyle, and Buda.
- **Setting an example**
  - Encourage mixed-use development with a predictable development process that is flexible enough to allow such desirable projects.
  - Play an active role in the redevelopment of the county-owned buildings to ensure that the vision and goals of the master plan are promoted in these projects. Redeveloping these buildings in a manner consistent with the master plan will establish a precedent and act as a catalyst for private investment.
    - — Encourage the county to dispose of the properties with a lease-back provision such that the future owners can begin the planning process for redevelopment of the parcels while the county waits for the construction of its new complex to be completed.
  - Promote transportation alternatives to allow people choices in travel to and from downtown, making downtown more accessible.
    - — ***Bicycle transportation*** will allow downtown users to easily get around downtown without generating more vehicle parking demand. However, adequate bike lanes and bike storage must be available for cyclists to promote this transportation use.

— The ***Commuter Rail*** should be seen as the best opportunity to create a mixed-use employment center with office users, retail space and residential units. Determine the next steps for ensuring that San Marcos is in the driver's seat for the commuter rail location and establish creating financing now.

➤ **Strategic planning**

- Conduct a retail recruitment analysis and devise a retail strategy to promote downtown as a specialty retail destination. This study can also be used as a marketing tool for recruitment purposes.

- Create a city-wide economic development strategic plan that outlines goals, strategies, and actions to advance economic development in San Marcos. This plan should specifically consider the role of downtown in the over all economy and include strategies to promote downtown.

➤ **Marketing for success**

- Build a brand and well-developed products to promote tourism, retail and employment downtown. Creating a strong sense of place in the downtown and reinforcing the connections between downtown, the university, and the river will help in branding and product development.

- To promote private investment and economic growth downtown, maintain an accurate database of available buildings and spaces, tenants and tenant types, vacancy, and lease rates. This information clearinghouse will facilitate research on the downtown market for prospective investors and/or employers.

- Target external marketing efforts towards developers, investors, and businesses looking for downtown properties in Central Texas. In addition, reach out to tourists visiting the outlet malls to inform them of retail and entertainment options in downtown.

Appendix A: Financing Strategies

Unlike the federally financed urban renewal projects of the 1960s and 70s, today's downtown revitalization efforts are much more likely to be financed with private funds or through innovative public-private partnerships. As a result, the creation of some form of taxing or special assessment district is a commonly used approach for financing and managing downtown development. Below is a list of the different types of financing districts that are commonly used in Texas.

- *Tax-increment financing (TIF) districts.* Tax increment financing districts, which allow taxing entities to repay the costs of improvements to a designated area with the future tax revenues generated by increasing property values, are among the most popular funding mechanisms.[1] These districts can be structured as a single, large tax-increment district (San Diego) or as a series of smaller tax-increment districts in targeted areas (Chicago).

- *Public improvement districts (PID).* PIDs, also know as Business Improvement Districts, offer cities a means for improving their infrastructure to promote economic growth in an area. The Public Improvement District Assessment Act allows cities to levy and collect special assessments on properties that are within the city or its extraterritorial jurisdiction (ETJ).

  PIDs may be formed to create water, wastewater, health and sanitation, or drainage improvements; street and sidewalk improvements; mass transit improvements; parking improvements; library improvements; park, recreation and cultural improvements; landscaping and other aesthetic improvements; art installation; creation of pedestrian malls or similar improvements; supplemental safety services for the improvement of the district, including public safety and security services; or supplemental business-related services for the improvement of the district, including advertising and business recruitment and development.

- *Municipal management districts.* These districts, also called downtown management districts, are created within an existing commercial area to finance facilities, infrastructure and services beyond those already provided by individual property owners or the municipality. The improvements may be paid for by self-imposed property taxes, special assessments and impact fees, or by other charges against district property owners. The creation of the district does not relieve a city from providing basic services to the area. A district is created to supplement, not supplant, the municipal services available to the area.

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[1] As described in the Texas Attorney General's Office *Handbook on Economic Development Laws for Texas Cities:* "Each taxing unit can choose to dedicate all, a portion of, or none of the tax revenue that is attributable to the increase in property values due to the improvements within the reinvestment zone. The additional tax revenue that is received from the affected properties is referred to as the tax increment. Each taxing unit determines what percentage of its tax increment, if any, it will commit to repayment of the "cost of financing the public improvements."

- *Municipal development districts.* A municipality may create a Municipal Development District comprising all or part of its city limits, all or part of its extraterritorial jurisdiction (ETJ), or any combination of all or part of these areas. To create a district, a city must call an election through an order that defines the proposed boundaries of the district. These districts are financed through an additional sales tax approved by the city's voters, a tax which is similar to the economic development sales tax.

- *Special purpose district.* Another approach to downtown finance is the creation of a special purpose district. Unlike the TIF district, which collects the tax increment created by rising property values, a special purpose district represents an additional tax. Special purpose districts are legally recognized governments and operate independently from other taxing jurisdictions, such as a city or county. They can collect money from a variety of sources, including bond issues, user fees and grants, and are typically governed by a board.

The chart below compares the districts based on the funding source, who bears the burden of financing the district, how the funds can be used, and who initiates the creation of the district. In addition, examples of each type of district are provided.

FIGURE 16.

COMPARISON OF FINANCING DISTRICTS

Mechanism	Funding Source	Burden	Uses	Initiation	Examples
Tax Increment Financing	Allocation of incremental property tax revenues to the TIF	Property owners in district	Structural and infrastructure improvements	Petition of property owners in district or city council	Rowlett, TX Arlington, TX Houston, TX
Public Improvement District	Additional assessment	Property owners in district	Improvements of water, wastewater, health & sanitation, drainage, street & sidewalk, mass transit, parking, library, park, recreation & cultural facilities, landscaping & other aesthetics, art installation, creation of pedestrian malls, supplemental safety servcies, supplemental business-related services	City council or by petition of 50% or more of property owners in a given geographic area	Houston, TX Greensboro, NC Great Fall, MT Durango, CO
Municipal Management Districts	Self-imposed property taxes, special assessments, and impact fees	Property owners and developers in district	Facilities, infrastructure, and services beyond those provided by property owners or by the municipality	Petition of 50% or more of property owners in a given geographic area	Houston, TX
Municipal Development Districts	Sales tax	Consumers in the district	Any project acceptable as a use of 4B sales tax revenues	Election	Aransas Pass, TX
Special Purpose District	Additional tax	Patrons / users of district	Depends on structure of SPD	Legislative action	The Woodlands, TX

In addition to using financing districts, economic development may be funded by a variety of other mechanisms. Examples and descriptions are listed below.

- *Bond issue for economic development***.** As a home rule city, Wichita Falls' statutory ability to issue bonds for specific purposes must be outlined in its charter. Provided statutory authority exists, cities can issue bonds for economic development purposes, including bonds for certain commercial projects, provided that the building or facility will be leased to a private entity or to another political subdivision or the state. Economic development corporations also have the authority to issue bonds, payable solely from economic development sales tax proceeds.

- *Economic development sales tax.* The Development Corporation Act allows Section 4B tax proceeds to be used for a variety of business development purposes, including the promotion of manufacturing and industrial facilities, and facilities and infrastructure related to such projects. In addition, 4B funds can be used for projects that are not specifically related to job creation, including parks and related public space improvements, commercial facilities, and tourism and entertainment facilities.

- *Venue project tax.* Cities and counties may choose to propose a venue project tax if they are interested in diversifying the sources of revenue they have to promote a specific economic development project. The venue project revenue sources that can be adopted include a sales tax, a hotel occupancy tax, a short-term motor vehicle rental tax, an event parking tax, an event admissions tax and a venue facility use tax. Additionally, the venue sales tax can be proposed in certain limited cases even if the city is already at its maximum sales tax rate; in this circumstance, the legislation allows the voters to approve an automatic reduction of another existing sales tax to make room for the venue tax.

- *Local hotel occupancy tax.* The local hotel occupancy tax can provide an important source of funding for maintenance of a city's tourism program and can translate into economic development for the entire area. Both general law cities and home rule cities are authorized to adopt a hotel occupancy tax within the city boundaries. Unlike a local sales tax, the adoption of a local hotel occupancy tax does not require voter approval. Most cities are eligible to adopt a hotel occupancy tax rate of up to seven percent of the consideration paid for the use of a hotel room. Local hotel occupancy tax revenues may only be spent to establish or enhance a convention center, cover the administrative expenses for registering convention delegates, pay for tourism-related advertising and promotions, fund programs that enhance the arts that will enhance tourism and hotel activity, pay for historic restoration or preservation projects that will enhance tourism and hotel activity, fund sporting events in which the majority of participants are tourists in cities located within a county with a population of one million or less, or enhance and upgrade certain cities' existing sports facilities or fields.

- *Matching funds/loans.* State and federal matching funds are often available for projects that meet specific criteria. For example, local funds for highway beautification and transportation demand management projects can often be highly leveraged with federal funds, such as those available under the Transportation Equity Act for the 21 Century, commonly known as TEA 21. Loan programs, such as the Texas Leverage Fund administered by the Texas Department of Economic Development, are another potential funding method.

- *Other funding strategies*. Downtown revitalization efforts can be funded by a wide range of non-tax mechanisms. One common approach is the creation of a merchants association funded by member dues and/or service fees (fees for the provision of services such as parking management, promotion, or design assistance). Other sources of funds include corporate donations or sponsorships, hotel-motel tax, product sales (T-shirts, bumper stickers, calendars, etc.) and special events (such as auctions, garage sales, farmers markets).

The Main Street program lists the following formula for an "ideal" funding strategy: 1/3 city funding; 1/3 downtown business and property owners; and 1/3 other contributors, including major businesses and industries in the community, citizens, etc. (*Organizing a Successful Downtown Revitalization Program Using the Main Street Approach*, Washington State Office of Trade & Development).

Aside from funding improvements in an area, cities and economic development organizations are offering incentives to encourage private investment in their downtown districts. Various types of districts may be created to provide benefits to businesses or property owners in specific districts. In addition, other types incentives may be offered to encourage the desired investment. Examples of districts and incentives are listed below.

- *Neighborhood empowerment zone.* A Neighborhood Empowerment Zone is a designated area within a municipality that is created to promote one or more of the following: affordable housing, an increase in economic development; an increase in the quality of social services, education or public safety; or the rehabilitation of affordable housing in the zone. In this zone, a municipality may waive impact fees, refund municipal sales taxes, and abate property taxes for the purposes of benefiting the zone.

- *Enterprise zone.* Enterprise zones are economically distressed areas designated as such by the State of Texas. Communities may nominate projects to participate in the Texas Enterprise Zone Program. This program is an economic development tool for local communities to partner with the State of Texas to promote job creation and capital investment in Enterprise Zones. For qualifying projects, the Comptroller's office administers Enterprise Zone refunds of state sales and use tax.

- *Reinvestment zone.* A taxing unit may designate a reinvestment zone if an area meets one of the criteria listed in Chapter 312 of the Texas Tax Code. The criteria most often cited is that the designation of the zone is reasonably likely to contribute to the retention or expansion of primary employment or attract major investment to the zone. Projects in the designated zone are eligible for tax abatement agreements and economic development refunds.

- *Tax abatement agreements.* A tax abatement is an agreement between a taxpayer and a taxing unit that exempts all or part of the increase in the value of the real property and/or tangible personal property for a period not to exceed 10 years. Each taxing unit that wants to consider tax abatement proposals must adopt guidelines and criteria for the creation of a reinvestment zone and must hold a public hearing. After these steps are complete, the taxing unit may designate a zone.

- *Economic development refund.* Property owners that have established a new business in a reinvestment zone or expanded or modernized an existing business located in the zone may apply for a refund of sales and use tax equal to the school property taxes paid by the owner in that tax year. Since entering into a city or county abatement agreement, the property owner must have increased the businesses' payroll by at least $3 million or increased the abated property's appraised value by at least $4 million. The total for all refunds collectively may not exceed $10 million.

- *4A / 4B sales and use funds*. City voters may approve 4A and 4B taxes, which are special designated taxes, to be used for economic development purposes. 4A tax funds can be used to fund the provision of land, buildings, equipment, facilities, expenditures, targeted infrastructure and improvements that are for the creation or retention of primary jobs. 4B tax funds may fund the same types of projects as 4A and also projects that are typically considered to be community development initiatives.

- *Chapter 380 agreement.* A city may establish and provide for the administration of one or more programs, including programs for making loans and grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality. Funding from these programs is allocated from the city's general fund and has fewer restrictions than most of the other types of incentives. Many cities structure their Chapter 380 agreements to function as sales tax rebates to companies.

Appendix B: Office Demand

TIP estimated the demand potential for office space in downtown San Marcos for two scenarios, based on projections obtained from Moody's economy.com. The low scenario assumes that Hays County (data is not available for the city of San Marcos itself) continues its present employment growth patterns. Between 2007 and 2012, Hays County is expected to add almost 9,000 new jobs. Of these jobs, 1,459 are estimated to be office jobs in sectors that are likely to locate in a downtown setting. These office workers translate to 310,000 gross square feet of office space. TIP estimates that if downtown San Marcos is able to capture 25 to 30 percent of this growth, it would need 78,000 to 93,000 gross square feet of office space.

The high growth scenario assumes that San Marcos will play a larger roll in the Austin-San Antonio Corridor. Thus, demand potential is estimated based on regional growth. The Austin-San Antonio Corridor is expected to add over 250,000 jobs. Of these jobs, 63,707 are expected to be office jobs in sectors likely to locate in a downtown setting. TIP estimates that if downtown San Marcos is able to capture just 1 to 1.5 percent of this growth, it would need 135,000 to 203,000 gross square feet of office space to accommodate 640 to 950 new office workers.

ASSUMPTIONS

In order to estimate the number of office workers in 2007 and 2012, TIP made the following assumptions:

- The employment sectors most likely to locate in a downtown setting were business-related services, financial services, hospitals and medical labs, information providers, local services, high tech, and tourism and entertainment services. TIP estimated the percent of office workers in each of these sectors to yield an estimate for the total number of office workers each year.

- Each office worker requires an average of 250 square feet based on a guideline provided in the Urban Land Institute's Office Development Handbook – that every 4 workers requires 1,000 square feet of space.

- According to PPR, the long-term occupancy rate for the Austin-Round Rock MSA has been 85%.

BASELINE SCENARIOS: LOCAL FOCUS

PROJECTED OFFICE EMPLOYMENT, 2007 - 2027

Hays County

Employment Sector	Employment 2000	Employment 2007	Employment 2012	Change in Jobs 2000-2007	Change in Jobs 2007-2012	% Office Users	Office Employment Changes 2000-2007	Office Employment Changes 2007-2012
Total Employment	27,138	37,251	46,244	10,113	8,993			
*Downtown Employment Sectors**								
Business-Related Services	620	896	1,228	276	332	95%	262	315
Financial Services	722	954	1,206	233	252	95%	221	240
Hospitals and Medical Labs	872	1,104	1,431	233	326	20%	47	65
Information Providers	151	244	314	94	70	90%	84	63
Local Services	5,689	7,035	9,655	1,346	2,620	10%	135	262
High-tech	835	1,303	1,799	467	496	90%	421	446
Tourism and Entertainment Services	754	1,078	1,415	324	337	20%	65	67
Total Office Employment	**9,643**	**12,615**	**17,049**	**2,972**	**4,433**		**1,234**	**1,459**

* Reflects those private sectors more likely to locate downtown. Excludes manufacturing, agriculture, and transportation.

SOURCE: Economy.com, TIP Strategies, Inc.

ESTIMATED POTENTIAL DEMAND FOR OFFICE DEVELOPMENT

Downtown San Marcos

	2007-2012
Employment Growth (jobs):	
Change in Total Employment, Hays County	8,993
Change in Office Employment	1,459
Office Demand Growth (sq.ft):	
Square feet per new employee*	250
Office Demand Growth, Hays County	364,762
Office Long-Term Occupancy Rate**	85%
Net Office Demand, Hays County	310,048
Downtown San Marcos Potential:	
Capture Rate	
Scenario 1: Low	25.0%
Scenario 2: Medium	27.5%
Scenario 3: High	30.0%
Additional Office Workers	
Scenario 1: Low	365
Scenario 2: Medium	401
Scenario 3: High	438
Additional Office Demand	
Scenario 1: Low	77,512
Scenario 2: Medium	85,263
Scenario 3: High	93,014

* Office Development Handbook (ULI 1998) estimates 1,000 per 4 workers.

** Long-term occupance rate for Austin-Round Rock MSA, PPR.

NOTES & ASSUMPTIONS:
- The baseline scenario assumes a slower growth scenario based on local growth trends.
- San Marcos will capture a share of Hays County growth proportional to its share of the county's overall population. Downtown will capture less due to growth trends leading to development near Hunter Rd & McCarty Ln.

HIGH GROWTH SCENARIOS: REGIONAL FOCUS

PROJECTED OFFICE EMPLOYMENT, 2007 - 2027

Austin - San Antonio Corridor

	Employment			Change in Jobs		% Office	Office Employment Changes	
Employment Sector	**2000**	**2007**	**2012**	**2000-2007**	**2007-2012**	**Users**	**2000-2007**	**2007-2012**
Total Employment	1,487,088	1,622,405	1,873,531	135,318	251,126			
*Downtown Employment Sectors**								
Business-Related Services	77,391	84,361	103,279	6,970	18,918	95%	6,622	17,972
Financial Services	79,126	93,302	106,335	14,176	13,033	95%	13,468	12,381
Hospitals and Medical Labs	35,127	41,067	48,867	5,940	7,800	20%	1,188	1,560
Information Providers	11,818	13,534	15,285	1,716	1,751	90%	1,544	1,576
Local Services	279,938	331,851	416,459	51,913	84,609	10%	5,191	8,461
High-tech	122,977	101,888	123,556	-21,089	21,669	90%	-18,981	19,502
Tourism and Entertainment Services	52,504	61,087	72,367	8,583	11,280	20%	1,717	2,256
Total Office Employment	**658,880**	**727,090**	**886,148**	**68,209**	**159,058**		**10,749**	**63,707**

* Reflects those private sectors more likely to locate downtown. Excludes manufacturing, agriculture, and transportation.

SOURCE: economy.com, TIP Strategies, Inc.

ESTIMATED POTENTIAL DEMAND FOR OFFICE DEVELOPMENT

Downtown San Marcos

	2007-2012
Employment Growth (jobs):	
Change in Total Employment, A-SA Corridor	251,126
Change in Office Employment	63,707
Office Demand Growth (sq.ft):	
Square feet per new employee	250
Office Demand Growth, A-SA Corridor	15,926,778
Office Long-Term Occupancy Rate	85%
Net Office Demand, A-SA Corridor	13,537,761
Downtown San Marcos Potential:	
Capture Rate	
Scenario 1: Low	1.0%
Scenario 2: Medium	1.3%
Scenario 3: High	1.5%
Additional Office Workers	
Scenario 1: Low	637
Scenario 2: Medium	796
Scenario 3: High	956
Additional Office Demand	
Scenario 1: Low	135,378
Scenario 2: Medium	169,222
Scenario 3: High	203,066

NOTES & ASSUMPTIONS:

- The demand for office space will largely be driven by economic growth along the entire A-SA Corridor.
- Growth in downtown office space will not include sectors that require industrial or light industrial flex-space.
- San Marcos' strategic position between Austin & San Antonio may attract companies interested in doing business in both markets. However, San Marcos is essentially a 3rd Tier suburb of Austin.
- The sectors included in downtown office space that have few office jobs would require other types of commercial space.

Appendix C: Residential Demand

TIP also estimated demand for residential units downtown based on two scenarios. The Baseline Scenario assumes that San Marcos continues to follow its current growth trends. Under this scenario, housing units are expected to grow from 15,584 to 18,032 between 2007 and 2012. Multifamily units account for the majority of the housing units and renter-occupied units account for almost 69 percent of total housing units by 2012. With current development trends in San Marcos pulling new multifamily development out of the downtown area, we estimated that downtown could capture 20 to 30 percent of new multifamily units between 2007 and 2012. This capture rate results in an estimated 250 to 375 units in the next five years.

The High Growth Scenario assumed that San Marcos begins to play a more important role in the Austin-San Antonio Corridor and downtown becomes a more attractive living option. In this scenario, we look at housing trends in the entire corridor and estimate that if downtown can capture 1 to 1.5 percent of the growth in housing units in the entire corridor, then it will need 402 to 603 new units.

ASSUMPTIONS

In order to estimate the number of multi-family housing units in 2007 and 2012, the model makes the following assumptions:

- The proportion of multi-family units (structures of 3 or more units) to total housing units will be constant over the next 5 years.
- ESRI estimated the split of units between owner-occupied and rental units for 2007 and 2012. TIP utilized these estimates.
- Growth in enrollment, office workers, and retirees is accounted for in the regional growth estimate; therefore, the TIP model does not separate out these items or estimate their direct impact on San Marcos.

BASELINE SCENARIOS: LOCAL FOCUS

HOUSING UNITS BY TYPE

San Marcos

	2000	2007	2012	Change 2000-07	Change 2007-12
Total Housing Units	13,340	15,584	18,032	2,244	2,448
Owner Occupied	3,829	4,379	4,869	551	490
Renter Occupied	8,831	10,504	12,442	1,673	1,938
Vacant	680	701	721	21	20
Multifamily Units*	6,870	8,026	9,286	1,156	1,261
Owner Occupied	1,972	2,255	2,507	284	252
Renter Occupied	4,548	5,409	6,408	861	998
Vacant	350	361	371	11	10
Percent					
Owner Occupied	28.7%	28.1%	27.0%		
Renter Occupied	66.2%	67.4%	69.0%		
Vacant	5.1%	4.5%	4.0%		
Multifamily*	51.5%	51.5%	51.5%		

* Structures of 3 or more units.

SOURCE: 2000 Census, ESRI Projections for 2007, 2012.

HOUSING UNITS BY TYPE

Downtown San Marcos

	Change 2007-12
Capture Rate	
Scenario 1: Low	20%
Scenario 2: Medium	25%
Scenario 3: High	30%
Owner-Occupied MF Units	
Scenario 1: Low	50
Scenario 2: Medium	63
Scenario 3: High	76
Renter-Occupied MF Units	
Scenario 1: Low	200
Scenario 2: Medium	250
Scenario 3: High	299
Total New MF Units	
Scenario 1: Low	250
Scenario 2: Medium	313
Scenario 3: High	375

HIGH GROWTH SCENARIOS: REGIONAL FOCUS

HOUSING UNITS BY TYPE

Austin-San Antonio Corridor

	2000	2007	2012	Change 2000-07	Change 2007-12
Total Housing Units	1,144,597	1,384,690	1,571,130	240,093	186,440
Owner Occupied	662,722	822,506	937,965	159,784	115,459
Renter Occupied	410,910	463,871	515,331	52,961	51,459
Vacant	70,965	99,698	116,264	28,733	16,566
Multifamily Units*	275,848	333,710	378,642	57,862	44,932
Owner Occupied	159,716	198,224	226,049	38,508	27,826
Renter Occupied	99,029	111,793	124,195	12,764	12,402
Vacant	17,103	24,027	28,020	6,925	3,992
Percent					
Owner Occupied	57.9%	59.4%	59.7%		
Renter Occupied	35.9%	33.5%	32.8%		
Vacant	6.2%	7.2%	7.4%		
Multifamily*	24.1%	24.1%	24.1%		

* Structures of 3 or more units.

SOURCE: 2000 Census, ESRI Projections for 2007, 2012.

HOUSING UNITS BY TYPE

Downtown San Marcos

	Change 2007-12
Capture Rate	
Scenario 1: Low	1.0%
Scenario 2: Medium	1.3%
Scenario 3: High	1.5%
Owner-Occupied MF	
Scenario 1: Low	278
Scenario 2: Medium	348
Scenario 3: High	417
Renter-Occupied MF	
Scenario 1: Low	124
Scenario 2: Medium	155
Scenario 3: High	186
Total New MF Units	
Scenario 1: Low	402
Scenario 2: Medium	503
Scenario 3: High	603

Appendix D: Retail Demand

TIP estimated retail demand based on historic consumer spending patterns and visitor spending. ESRI provides retail spending per household estimates for 2007. With these estimates, TIP estimated households in San Marcos will spend an additional $21 million on retail goods between 2007 and 2012. Using sales per square foot averages published in the Urban Land Institute's Dollars and Cents, this increase in expenditures would require an additional 111,000 square feet of space in San Marcos. If downtown San Marcos can capture 18 to 24 percent of this growth, it would require 31,000 to 40,000 square feet of retail space.

TIP estimated that visitor spending will increase by $38 million between 2007 and 2012, largely due to spending on apparel and other retail. With many tourists visiting the outlet malls exclusively, TIP estimated that downtown San Marcos would capture only 5 to 9 percent of visitor spending. This translates to demand for an additional 8,000 to 12,000 square feet of retail space.

ASSUMPTIONS

In order to estimate retail demand, TIP made the following assumptions:

- Retail sales are inflated by visitor spending at outlet malls. Therefore, consumer spending estimates were used to estimate local retail spending instead of retail sales per capita.
- Consumer spending patterns do not change between 2007 and 2012.
- Local consumers are likely to spend proportionally more on apparel, entertainment, groceries, and dining out in downtown than visitors.
- Visitor spending is the difference between TIP's household retail spending estimate and total retail sales.
- Visitors are most likely to dine in downtown although they will spend some dollars in specialty stores on apparel, household furnishing, and other retail. However, the majority of visitor spending is assumed to be captured by the outlet malls and larger national retailers outside of downtown.

ESTIMATED POTENTIAL DEMAND FOR RETAIL DEVELOPMENT

Growth in Retail Spending per Household, San Marcos:

	2007E Average Spent (per HH)*	Total Consumer Spending 2007	Total Consumer Spending 2012	Change 2007-12	Sales per Sq. Ft**	Additional Sq. Ft
Apparel & Services	1,674.55	32,793,017.11	35,680,093.55	2,887,076	221.89	13,011
Computers & Accessories	188.75	3,696,325.57	4,021,747.73	325,422	269.59	1,207
Entertainment/Recreation	2,040.42	39,957,915.85	43,475,785.42	3,517,870	76.03	46,269
Groceries	3,480.19	68,153,193.53	74,153,357.47	6,000,164	338.67	17,717
Dining Out	2,810.31	55,034,811.70	59,880,041.62	4,845,230	302.70	16,007
HH Furnishings & Equipment	1,276.85	25,004,785.70	27,206,191.18	2,201,405	183.58	11,992
TV/Video/Sound Equipment	786.07	15,393,751.73	16,749,007.87	1,355,256	269.59	5,027
Total Retail Spending		**240,033,801.19**	**261,166,224.84**	**21,132,424**		**111,230**

* ESRI Consumer Expenditure Estimates.

** ULI, Dollars and Cents, unless otherwise noted.

Growth in Non-Resident Spending, San Marcos:

	2007	2012	Change 2007-12
Total San Marcos Retail Sales	**772,308,186**	**831,990,050**	**59,681,864**
Apparel & Accessory Stores	252,871,407	272,412,617	19,541,211
Groceries	61,934,977	66,721,143	4,786,166
Eating and Drinking	113,617,219	122,397,247	8,780,028
Home Furnishings & Equipment	75,856,881	81,718,893	5,862,012
Other Retail	268,027,702	288,740,150	20,712,448
(-) Total Local Retail Spending	**240,033,801**	**261,166,225**	**21,132,424**
Apparel & Services	32,793,017	35,680,094	2,887,076
Groceries	68,153,194	74,153,357	6,000,164
Dining Out	55,034,812	59,880,042	4,845,230
HH Furnishings & Equipment	25,004,786	27,206,191	2,201,405
Other Retail	59,047,993	64,246,541	5,198,548
= Estimated Non-Resident Spending	**532,274,385**	**570,823,826**	**38,549,441**
Apparel & Services	220,078,389	236,732,524	16,654,134
Groceries	-6,218,216	-7,432,215	-1,213,998
Dining Out	58,582,408	62,517,206	3,934,798
HH Furnishings & Equipment	50,852,095	54,512,702	3,660,607
Other Retail	208,979,709	224,493,609	15,513,900

BASELINE SCENARIOS: LOCAL FOCUS

Downtown San Marcos

	San Marcos		Downtown San Marcos					
	Incremental Spending	Additional Sq. Ft	Capture Rate Low	Capture Rate Medium	Capture Rate High	Retail Demand (Sq. Ft) 2012 Low	Retail Demand (Sq. Ft) 2012 Medium	Retail Demand (Sq. Ft) 2012 High
Apparel & Services	2,887,076	13,011	20%	23%	25%	2,602	2,928	3,253
Computers & Accessories	325,422	1,207	1%	2%	3%	12	24	36
Entertainment/Recreation	3,517,870	46,269	40%	45%	50%	18,508	20,821	23,135
Groceries	6,000,164	17,717	20%	23%	25%	3,543	3,986	4,429
Dining Out	4,845,230	16,007	40%	45%	50%	6,403	7,203	8,003
HH Furnishings & Equipment	2,201,405	11,992	5%	8%	10%	600	899	1,199
TV/Video/Sound Equipment	1,355,256	5,027	1%	2%	3%	50	101	151
Local Retail Demand	**21,132,424**	**111,230**	**18%**	**21%**	**24%**	**31,718**	**35,962**	**40,206**

HIGH GROWTH SCENARIO: DOWNTOWN RETAIL DESTINATION

Downtown San Marcos

	Incremental Spending	Additional Sq. Ft	Capture Rate Low	Capture Rate Medium	Capture Rate High	Retail Demand (Sq. Ft) 2012 Low	Retail Demand (Sq. Ft) 2012 Medium	Retail Demand (Sq. Ft) 2012 High
Apparel & Services	16,654,134	75,056	3%	4%	5%	2,252	3,002	3,753
Dining Out	3,934,798	12,999	20%	25%	30%	2,600	3,250	3,900
HH Furnishings & Equipment	3,660,607	19,940	3%	4%	5%	598	798	997
Retail Goods	15,513,900	75,652	3%	4%	5%	2,270	3,026	3,783
Non-Resident Retail Demand	**39,763,439**	**183,647**	**5%**	**7%**	**9%**	**7,719**	**10,076**	**12,432**
+ Local Retail Demand	21,132,424	111,230				31,718	35,962	40,206
Total Retail Demand	**60,895,863**	**294,877**				**39,437**	**46,038**	**52,638**